



USAID
FROM THE AMERICAN PEOPLE

SOUTHERN AFRICA

SUCCESS STORY

Regional Integration in Lesotho

The Southern Africa Trade Hub created a new export deal for yarn worth \$1.2 million in new exports annually



Workers at the Presitex Factory in Lesotho

As a result of sourcing assistance provided by the Hub's Value Chain Leader for Apparel, a standing order was established in July between a South African knitting mill and a yarn spinning company in Lesotho worth more than USD 100,000 (30-40mt) per month in new exports for Lesotho

Southern Africa Global Competitiveness Hub

As a result of sourcing assistance provided by the Southern Africa Global Competitiveness Hub's Value Chain Leader for Apparel, a standing order was established in July 2005 between a South African knitting mill and a yarn spinning company in Lesotho worth more than USD 100,000 (30-40mt) per month in new exports for Lesotho.

A major challenge for Southern Africa is the impending expiration of the Third Country Fabric Rule, which has allowed AGOA exporters to source textiles for apparel manufacturing from Asia. The Third Country Fabric Rule is set to expire on September 30, 2007. While it is up to the United States Congress to legislate the extension of this policy provision, such a change now seems unlikely. There is therefore an urgent need to develop regional sourcing arrangements for firms to continue to benefit from AGOA preferences and survive after the expiration of the Third Country Fabric Rule. Regional sourcing must be a long-term priority to maintain competitiveness for apparel in Southern Africa.

This regional sourcing deal put together by the Southern Africa Trade Hub is thus regarded by both firms as an important step toward the development of a competitive regional supply chain. Lesotho, in particular, has been successful with apparel exports to the United States under AGOA and, at one time, the sector supported 50,000 jobs. Regional integration is regarded as a critical factor for the survival of this important sector – both to maintain job opportunities in Lesotho and as a platform for future economic growth.

Several other opportunities for regional sourcing for Lesotho and other regional textile and apparel manufacturers are now being promoted as part of the Hub's strategy for long-term trade competitiveness in apparel.